



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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Auditor of State

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NEWS RELEASE

FOR RELEASE

April 3, 2018

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on Madison County, Iowa.

The County had local tax revenue of \$29,515,442 for the year ended June 30, 2017, which included \$2,048,550 in tax credits from the state. The County forwarded \$23,497,788 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$6,017,654 of the local tax revenue to finance County operations, a 7.5% increase over the prior year. Other revenues included charges for service of \$1,527,727, operating grants, contributions and restricted interest of \$4,221,231, capital grants, contributions and restricted interest of \$1,127,067, local option sales tax of \$853,834, unrestricted investment earnings of \$28,754 and other general revenues of \$154,305.

Expenses for County operations for the year ended June 30, 2017 totaled \$13,194,560, a 10.0% increase over the prior year. Expenses included \$6,638,262 for roads and transportation, \$2,979,446 for public safety and legal services and \$1,004,822 for administration.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1710-0061-B00F>.

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MADISON COUNTY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2017

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Madison County

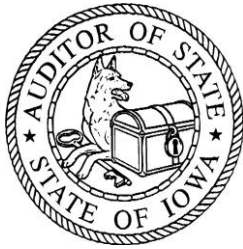
Officials

(Before January 2017)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Aaron Price	Board of Supervisors	Jan 2017
Phil Clifton	Board of Supervisors	Jan 2019
Robert Duff	Board of Supervisors	Jan 2019
Heidi L. Burhans	County Auditor	Jan 2017
Jana S. Corkrean	County Treasurer	Jan 2019
Lisa Smith	County Recorder	Jan 2019
Jason Barnes	County Sheriff	Jan 2017
Matt Schultz	County Attorney	Jan 2019
Joni J. Hopkins	County Assessor	Jan 2020

(After January 2017)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Phil Clifton	Board of Supervisors	Jan 2019
Robert Duff	Board of Supervisors	Jan 2019
Aaron Price	Board of Supervisors	Jan 2021
Heidi L. Burhans	County Auditor	Jan 2021
Jana S. Corkrean	County Treasurer	Jan 2019
Lisa Smith	County Recorder	Jan 2019
Jason Barnes	County Sheriff	Jan 2021
Matt Schultz	County Attorney	Jan 2019
Joni J. Hopkins	County Assessor	Jan 2020



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Independent Auditor's Report

To the Officials of Madison County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Madison County, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Madison County as of June 30, 2017, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 50 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Madison County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2018 on our consideration of Madison County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Madison County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

March 22, 2018

Madison County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Madison County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 4.3%, or approximately \$575,000, from fiscal year 2016 to fiscal year 2017. Charges for service increased approximately \$13,000, operating grants, contributions and restricted interest decreased approximately \$688,000 and capital grants, contributions and restricted interest increased approximately \$776,000.
- Program expenses of the County's governmental activities were 10.0%, or approximately \$1,201,000, more in fiscal year 2017 than in fiscal year 2016. Roads and transportation expenses increased approximately \$1,039,000 over fiscal year 2016 and public safety and legal services expenses increased approximately \$277,000.
- The County's net position increased 3.7%, or approximately \$736,000, from June 30, 2016 to June 30, 2017.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Madison County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Madison County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Madison County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Internal Service Funds and Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) A proprietary fund accounts for the County's Internal Service, Fuel, Supplies, Employee Group Health and Unemployment Insurance Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others, which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services, Central Iowa Community Services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Madison County's combined net position increased from approximately \$19.7 million to approximately \$20.5 million. The analysis that follows focuses on the changes in the net position of governmental activities.

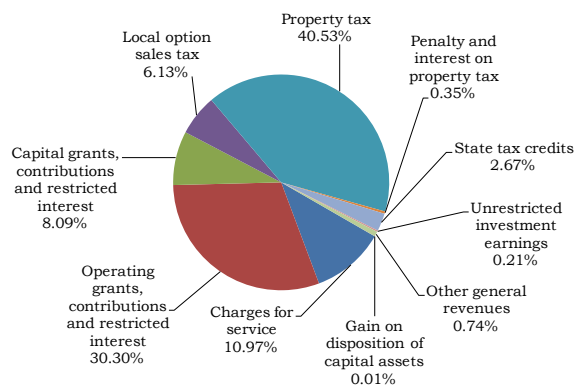
Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2017	2016
Current and other assets	\$ 13,101	12,689
Capital assets	18,599	18,267
Total assets	31,700	30,956
Deferred outflows of resources	1,058	490
Long-term liabilities	5,083	4,982
Other liabilities	594	832
Total liabilities	5,677	5,814
Deferred inflows of resources	6,596	5,883
Net position:		
Net investment in capital assets	17,789	17,427
Restricted	3,204	4,577
Unrestricted	(508)	(2,255)
Total net position	\$ 20,485	19,749

Net position of Madison County's governmental activities increased 3.7% (approximately \$20.5 million compared to approximately \$19.7 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from a deficit of approximately \$2,225,000 at June 30, 2016 to a deficit of approximately \$508,000 at the end of this year, an increase of 77.5%, primarily due to an increase in the General Fund balance and a decrease in bonds payable for non-capitalized assets.

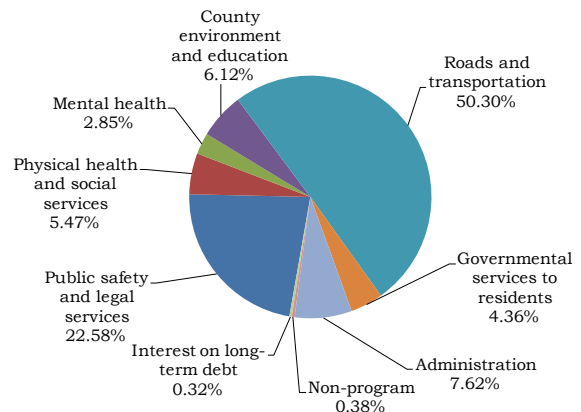
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2017	2016
Revenues:		
Program revenues:		
Charges for service	\$ 1,528	1,515
Operating grants, contributions and restricted interest	4,221	4,909
Capital grants, contributions and restricted interest	1,127	351
General revenues:		
Property tax	5,646	5,247
Penalty and interest on property tax	49	51
State tax credits	372	351
Local option sales tax	854	828
Unrestricted investment earnings	29	10
Gain on disposition of capital assets	2	8
Other general revenues	103	86
Total revenues	13,931	13,356
Program expenses:		
Public safety and legal services	2,980	2,703
Physical health and social services	722	741
Mental health	376	462
County environment and education	807	789
Roads and transportation	6,638	5,599
Governmental services to residents	575	539
Administration	1,005	1,012
Non-program	50	91
Interest on long-term debt	42	58
Total expenses	13,195	11,994
Change in net position	736	1,362
Net position beginning of year	19,749	18,387
Net position end of year	\$ 20,485	19,749

Revenues by Source



Expenses by Program



Madison County's net position of governmental activities increased approximately \$736,000 during the year. Revenues for governmental activities increased approximately \$575,000 over the prior year, with property tax revenue up from the prior year approximately \$399,000, or 7.6%.

The countywide property tax levy rate increased 8.3%, or \$0.45 per \$1,000 of taxable valuation, for fiscal year 2017. The rural property tax levy rate did not change in year 2017. There was also an increase in the overall valuation of approximately \$8,961,000 resulting in an increase in total property tax levied between fiscal year 2016 and fiscal year 2017 of approximately \$399,000.

The cost of all governmental activities this year was approximately \$13.2 million compared to approximately \$12.0 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$6.3 million because some of the cost was paid by those directly benefited from the programs (approximately \$1.5 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$5.3 million). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased in fiscal year 2017 from approximately \$6,775,000 to approximately \$6,876,000, principally due to an increase in BROS grant proceeds from the Iowa Department of Transportation.

INDIVIDUAL MAJOR FUND ANALYSIS

As Madison County completed the year, its governmental funds reported a combined fund balance of approximately \$5.4 million, a decrease of approximately \$0.6 million from last year's total of approximately \$6.0 million. The 9.4% decrease in fund balance is primarily attributable to the following:

- General Fund revenues increased approximately \$583,000, or 11.1%, over the prior year. This is primarily due to an increase in property taxes from new housing developments in the County. Expenditures increased approximately \$175,000, or 3.5%, over the prior year, primarily due to the purchase of two conservation vehicles and the conservation department completing more maintenance projects. The ending fund balance increased approximately \$493,000, or 36.4%, over the prior year, from \$1,354,132 to \$1,847,378.
- The County has continued to look for ways to effectively manage the cost of mental health services. For fiscal year 2017, Special Revenue, Mental Health Fund expenditures total approximately \$376,000, a decrease of 18.7% from the prior year. Expenditures decreased in fiscal year 2017 due to remitting fewer funds to the Mental Health Region in fiscal year 2017.
- Special Revenue, Rural Services Fund revenues increased approximately \$21,000, or 1.0%. The primary reason for the increase is due to additional local option sales tax receipts. Expenditures increased approximately \$62,000 when compared to the prior year, primarily due to starting to pay ambulance part-time wages out of the Rural Services Fund. The ending fund balance decreased approximately \$17,000, or 3.3%, from the prior year to \$486,990.
- Special Revenue, Secondary Roads Fund revenues decreased approximately \$324,000, or 6.5%, from the prior year, primarily the result of a decrease in disaster recovery grants received from the Federal Emergency Management Agency (FEMA). Expenditures increased approximately \$769,000, or 13.2%, primarily due to additional bridge projects. The ending fund balance decreased 10.5%, or approximately \$303,000, from the prior year to an ending balance of \$2,579,735.

BUDGETARY HIGHLIGHTS

Over the course of the year, Madison County amended its budget two times. The first amendment, made on September 6, 2016, increased budgeted disbursements for the public safety and legal services, physical health and social services, roads and transportation, administration, debt service and capital projects functions. The second amendment, made on June 27, 2017, increased budgeted disbursements for the public safety and legal services, physical health and social services, roads and transportation, administration and debt service function and decreased budgeted disbursements for the capital projects function.

The County's receipts were approximately \$415,000 more than budgeted, a variance of 3.2%. The most significant variance resulted from the County receiving more receipts for ambulance calls in fiscal year 2017, than anticipated.

Total disbursements were approximately \$1,051,000 less than the amended budget. This was primarily due to the County spending approximately \$270,000 less than budgeted for capital projects, approximately \$276,000 less than budgeted for roads and transportation and approximately \$181,000 less than budgeted for physical health and social services.

Disbursements during the year ended June 30, 2017 did not exceed the amounts budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, Madison County had approximately \$18.6 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase (including additions and deletions) of approximately \$332,000, or 1.8% over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2017	2016
Land	\$ 1,649	1,649
Intangibles	104	104
Construction in progress	501	356
Buildings and improvements	2,198	2,290
Equipment and vehicles	2,405	2,570
Infrastructure	11,742	11,298
Total	\$ 18,599	18,267
This year's major additions included (in thousands):		
Vehicles	\$ 244	
Infrastructure	1,089	
Total	\$ 1,333	

The County had depreciation expense of \$1,146,183 in fiscal year 2017 and total accumulated depreciation of \$13,065,817 at June 30, 2017.

More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2017, Madison County had approximately \$810,000 of general obligation notes compared to approximately \$1,650,000 of general obligation bonds and notes outstanding at June 30, 2016, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2017	2016
General obligation bonds/notes	\$ 810	1,650

Debt decreased as a result of refunding general obligation local option sales tax bonds.

The Constitution of the State of Iowa limits the amount of debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Madison County's outstanding debt is significantly below its constitutional debt limit of approximately \$74 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Madison County's elected and appointed officials and citizens consider many factors when budgeting each fiscal year. Tax rates and fees for various county services are only part of what has to be considered. The economy is another major factor. Interest rates continue to be low and document recording fees seem to be coming in slightly stronger than in the recent past. More homes are being refinanced as the mortgage market improves and building permits are holding steady. In addition, union wages are set through June 30, 2020.

Madison County's General Fund balances experienced strong growth in fiscal year 2017, which has continued throughout fiscal year 2018. The General Fund's monthly balance is regularly above \$1,000,000, and the Group Health Insurance Fund now maintains a monthly balance of \$500,000 to \$600,000. The net total of the budget amendments was \$619,984. For fiscal year 2018, approximately \$625,000 of the health insurance premiums were budgeted to be paid by the rural tax levy for the secondary roads department employees, and the County's total tax levy rate increased \$1.17488 per \$1,000 of taxable valuation due to moving part of the insurance premiums to the Rural Services Fund.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Madison County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Madison County Auditor's Office, 112 N John Wayne Drive, Winterset, Iowa 50273-1534.

Madison County

Basic Financial Statements

Madison County
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 5,343,686
Receivables:	
Property tax:	
Delinquent	24,817
Succeeding year	6,469,000
Accounts	380,195
Accrued interest	3,436
Due from other governments	486,878
Inventories	392,785
Capital assets, net of accumulated depreciation	<u>18,599,207</u>
Total assets	<u>31,700,004</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>1,058,176</u>
Liabilities	
Accounts payable	438,498
Accrued interest payable	1,122
Salaries and benefits payable	134,592
Due to other governments	19,536
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	75,000
Compensated absences	363,968
Portion due or payable after one year:	
General obligation notes	735,000
Compensated absences	358,665
Net pension liability	2,906,161
Net OPEB liability	<u>644,400</u>
Total liabilities	<u>5,676,942</u>
Deferred Inflows of Resources:	
Unavailable property tax revenue	6,469,000
Pension related deferred inflows	<u>127,086</u>
Total deferred inflows of resources	<u>6,596,086</u>
Net Position	
Net investment in capital assets	17,789,207
Restricted for:	
Supplemental levy purposes	316,304
Mental health purposes	120,229
Rural services purposes	454,166
Secondary roads purposes	1,939,866
Debt service	15,137
Other purposes	358,007
Unrestricted	<u>(507,764)</u>
Total net position	<u>\$ 20,485,152</u>

See notes to financial statements.

Madison County
Statement of Activities
Year ended June 30, 2017

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,979,446	756,647	61,882	-	(2,160,917)
Physical health and social services	722,296	52,365	104,314	-	(565,617)
Mental health	375,911	-	40,000	-	(335,911)
County environment and education	806,455	128,246	27,277	-	(650,932)
Roads and transportation	6,638,262	102,871	3,957,119	1,127,067	(1,451,205)
Governmental services to residents	575,404	376,369	1,644	-	(197,391)
Administration	1,004,822	54,619	28,995	-	(921,208)
Non-program	50,439	56,610	-	-	6,171
Interest on long-term debt	41,525	-	-	-	(41,525)
Total	<u>\$ 13,194,560</u>	<u>1,527,727</u>	<u>4,221,231</u>	<u>1,127,067</u>	<u>(6,318,535)</u>
General Revenues:					
Property and other county tax levied for general purposes					5,645,906
Penalty and interest on property tax					49,664
State tax credits					371,748
Local option sales tax					853,834
Unrestricted investment earnings					28,754
Gain on disposition of capital assets					1,755
Miscellaneous					<u>102,886</u>
Total general revenues					<u>7,054,547</u>
Change in net position					736,012
Net position beginning of year					<u>19,749,140</u>
Net position end of year					<u>\$ 20,485,152</u>
See notes to financial statements.					

Madison County
Balance Sheet
Governmental Funds

June 30, 2017

	General	Special Mental Health
Assets		
Cash, cash equivalents and pooled investments	\$ 1,760,556	120,084
Receivables:		
Property tax:		
Delinquent	20,230	655
Succeeding year	4,026,000	328,000
Accounts	352,391	-
Accrued interest	3,380	-
Due from other governments	30,609	-
Inventories	-	-
Advances to other funds	60,000	-
Total assets	\$ 6,253,166	448,739
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities:		
Accounts payable	\$ 71,094	-
Salaries and benefits payable	53,773	510
Due to other governments	5,795	-
Total liabilities	130,662	510
Deferred inflows of resources:		
Unavailable revenues:		
Succeeding year property tax	4,026,000	328,000
Other	249,126	608
Total deferred inflows of resources	4,275,126	328,608
Fund balances:		
Nonspendable:		
Inventories	-	-
Advance to Internal Service Fund	60,000	-
Restricted for:		
Supplemental levy purposes	341,749	-
Mental health purposes	-	119,621
Rural services purposes	-	-
Secondary roads purposes	-	-
Debt service	-	-
Other purposes	-	-
Committed	-	-
Unassigned	1,445,629	-
Total fund balances	1,847,378	119,621
Total liabilities, deferred inflows of resources and fund balances	\$ 6,253,166	448,739

See notes to financial statements.

Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
451,299	2,086,070	360,361	4,778,370
3,872	-	60	24,817
2,083,000	-	32,000	6,469,000
-	1,332	316	354,039
-	-	56	3,436
56,298	385,896	14,075	486,878
-	364,929	-	364,929
-	-	-	60,000
2,594,469	2,838,227	406,868	12,541,469
6,377	178,672	602	256,745
7,990	72,319	-	134,592
6,240	7,501	-	19,536
20,607	258,492	602	410,873
2,083,000	-	32,000	6,469,000
3,872	-	55	253,661
2,086,872	-	32,055	6,722,661
-	364,929	-	364,929
-	-	-	60,000
-	-	-	341,749
-	-	-	119,621
486,990	-	-	486,990
-	2,214,806	-	2,214,806
-	-	15,082	15,082
-	-	329,129	329,129
-	-	30,000	30,000
-	-	-	1,445,629
486,990	2,579,735	374,211	5,407,935
2,594,469	2,838,227	406,868	12,541,469

Madison County

Madison County

Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Position

June 30, 2017

Total governmental fund balances (page 21) \$ 5,407,935

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$31,665,024 and the accumulated depreciation is \$13,065,817.

18,599,207

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.

253,661

The Internal Service Funds are used by management to charge the costs of the self funding of the County's health insurance benefit plan and other internal costs to individual funds. The assets and liabilities of the Internal Service Funds are included with governmental activities in the Statement of Net Position.

377,575

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources

\$ 1,058,176

Deferred inflows of resources

(127,086)

931,090

Long-term liabilities, including general obligation notes payable, compensated absences payable, other postemployment benefits payable, net pension liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(5,084,316)

Net position of governmental activities (page 18)

\$ 20,485,152

See notes to financial statements.

Madison County
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2017

	General	Special Mental Health
Revenues:		
Property and other county tax	\$ 3,875,889	334,107
Local option sales tax	-	-
Interest and penalty on property tax	49,664	-
Intergovernmental	601,954	63,659
Licenses and permits	1,426	-
Charges for service	1,099,107	-
Use of money and property	121,295	-
Miscellaneous	65,714	-
Total revenues	5,815,049	397,766
Expenditures:		
Operating:		
Public safety and legal services	2,509,829	-
Physical health and social services	614,357	-
Mental health	-	375,970
County environment and education	584,398	-
Roads and transportation	-	-
Governmental services to residents	530,685	-
Administration	963,707	-
Debt service	-	-
Capital projects	-	-
Total expenditures	5,202,976	375,970
Excess (deficiency) of revenues over (under) expenditures	612,073	21,796
Other financing sources (uses):		
Sale of capital assets	2,255	-
Payment of refunding bonds	-	-
Transfers in	-	-
Transfers out	(121,082)	-
Total other financing sources (uses)	(118,827)	-
Change in fund balances	493,246	21,796
Fund balances beginning of year	1,354,132	97,825
Fund balances end of year	\$ 1,847,378	119,621

See notes to financial statements.

Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
1,435,589	-	5	5,645,590
683,067	-	170,767	853,834
-	-	-	49,664
85,902	4,620,484	19,756	5,391,755
66,268	18,230	-	85,924
3,502	14,445	4,095	1,121,149
-	-	9,128	130,423
728	22,025	7,521	95,988
2,275,056	4,675,184	211,272	13,374,327
478,145	-	-	2,987,974
87,656	-	-	702,013
-	-	-	375,970
210,353	-	8,908	803,659
-	5,597,445	-	5,597,445
1,919	-	-	532,604
-	-	72,881	1,036,588
-	-	109,080	109,080
-	1,015,015	-	1,015,015
778,073	6,612,460	190,869	13,160,348
1,496,983	(1,937,276)	20,403	213,979
-	-	-	2,255
-	-	(775,000)	(775,000)
-	1,634,781	30,000	1,664,781
(1,513,699)	-	(30,000)	(1,664,781)
(1,513,699)	1,634,781	(775,000)	(772,745)
(16,716)	(302,495)	(754,597)	(558,766)
503,706	2,882,230	1,128,808	5,966,701
486,990	2,579,735	374,211	5,407,935

Madison County
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances –
Governmental Funds to the Statement
of Activities

Year ended June 30, 2017

Change in fund balances - Total governmental funds (page 25) \$ (558,766)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 975,436	
Contributed capital assets	501,386	
Depreciation expense	<u>(1,146,183)</u>	330,639

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.

1,755

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:

Property tax	316	
Other	<u>(5,397)</u>	(5,081)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

840,000

The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position.

410,902

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(61,513)	
Other postemployment benefits	(81,200)	
Pension expense	(391,417)	
Interest on long-term debt	<u>2,555</u>	(531,575)

The Internal Service Funds are used by management to charge the costs of the partial self funding of the County's health insurance benefit plan and other internal costs to individual funds. The change in net position of the Internal Service Funds is reported with governmental activities.

248,138

Change in net position of governmental activities (page 19)

\$ 736,012

See notes to financial statements.

Madison County
Statement of Net Position
Proprietary Funds

June 30, 2017

	<u>Internal Service</u>
Assets	
Cash and cash equivalents	\$ 565,316
Accounts receivable	26,156
Inventories	<u>27,856</u>
Total assets	<u>619,328</u>
Liabilities	
Accounts payable	181,753
Advance from General Fund	<u>60,000</u>
Total liabilities	<u>241,753</u>
Net Position	
Unrestricted	<u>\$ 377,575</u>

See notes to financial statements.

Madison County
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds

Year ended June 30, 2017

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds and employees		\$ 2,146,570
Reimbursements from others		<u>12,456</u>
Total operating revenues		2,159,026
Operating expenses:		
Medical claims	\$ 1,631,364	
Materials and supplies	280,378	
Unemployment claims	<u>221</u>	<u>1,911,963</u>
Operating income		247,063
Non-operating revenues:		
Interest income		<u>1,075</u>
Net income		248,138
Net position beginning of year		<u>129,437</u>
Net position end of year		<u><u>\$ 377,575</u></u>

See notes to financial statements.

Madison County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2017

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 2,082,361
Cash received from others	53,957
Cash paid to suppliers for goods and services	<u>(1,931,459)</u>
Net cash provided by operating activities	204,859
Cash flows from investing activities:	
Interest on investments	<u>1,075</u>
Net increase in cash and cash equivalents	205,934
Cash and cash equivalents beginning of year	<u>359,382</u>
Cash and cash equivalents end of year	<u>\$ 565,316</u>
Reconciliation of operating income to net cash	
provided by operating activities:	
Operating income	\$ 247,063
Adjustments to reconcile operating income to net cash	
provided by operating activities:	
Increase in accounts receivable	(22,708)
Increase in inventories	(10,748)
Decrease in accounts payable	<u>(8,748)</u>
Net cash provided by operating activities	<u>\$ 204,859</u>

See notes to financial statements.

Madison County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2017

Assets

Cash and pooled investments:

County Treasurer	\$ 17,437,170
Other County officials	34,338

Receivables:

Property tax:

Delinquent	39,405
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Succeeding year	21,849,000
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Accounts	133
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Accrued interest	6,426
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Special assessments	123,258
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Total assets

39,489,730

Liabilities

Accounts payable	607,930
------------------	---------

Salaries and benefits payable	4,656
-------------------------------	-------

Due to other governments	38,866,099
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Trusts payable	11,045
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Total liabilities

39,489,730

Net position

\$ -

See notes to financial statements.

Madison County

Notes to Financial Statements

June 30, 2017

(1) Summary of Significant Accounting Policies

Madison County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Madison County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Madison County (the primary government) and its component unit. The component unit discussed below is included in the County's reporting entity because of the significance of its operational or financial relationship with the County.

Blended Component Unit – Madison County Covered Bridge Preservation Association, Inc. (Association) is legally separate from the County, but is so intertwined with the County it is, in substance, the same as the County. The Association was established pursuant to Chapter 504A of the Code of Iowa to promote the repair, maintenance and preservation of Madison County's six covered bridges. The Association is reported as a Special Revenue Fund.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Madison County Assessor's Conference Board, Madison County Emergency Management Commission, South Central Iowa Regional E-911 Board and the Madison County Empowerment Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary roads construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Funds – Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Funds is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at amortized cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments based on January 1, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2016.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Special Assessments Receivable – Special assessments receivable represents the amounts assessed to individuals for work done which benefits their property. These assessments are payable by individuals in not more than 15 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent special assessments receivable represents assessments which are due and payable but have not been collected. Succeeding year special assessments receivable represents remaining assessments which are payable but not yet due.

Advances to/from Other Funds – Non-current long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve for governmental funds, which indicates they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental and proprietary funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Intangibles	50,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Intangibles	5 - 20
Equipment	2 - 20
Vehicles	3 - 10

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the County after the measurement date but before the end of the County's reporting period.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, compensatory, and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2017. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year-end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and unrecognized items not yet credited to pension expense.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through or resolution approved prior to year-end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$3,002,476 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT is unrated.

The County had no other investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Advances To and From Other Funds

The detail of advances to/from other funds at June 30, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General	Internal Service: Fuel	<u>\$ 60,000</u>

The advance between the General Fund and the Internal Service, Fuel Fund resulted from a loan between funds which has not been repaid.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 121,082
	Special Revenue:	
	Rural Services	<u>1,513,699</u>
		1,634,781
Capital Projects	Special Revenue:	
	Local Option Sales Tax	<u>30,000</u>
Total		<u>\$ 1,664,781</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,648,385	-	-	1,648,385
Intangibles, road network	104,029	-	-	104,029
Construction in progress	356,114	1,234,378	(1,089,105)	501,387
Total capital assets not being depreciated	<u>2,108,528</u>	<u>1,234,378</u>	<u>(1,089,105)</u>	<u>2,253,801</u>
Capital assets being depreciated:				
Buildings	3,815,091	-	-	3,815,091
Improvements other than buildings	31,147	-	-	31,147
Equipment and vehicles	8,372,972	244,199	(16,485)	8,600,686
Infrastructure, road network	15,875,194	1,089,105	-	16,964,299
Total capital assets being depreciated	<u>28,094,404</u>	<u>1,333,304</u>	<u>(16,485)</u>	<u>29,411,223</u>
Less accumulated depreciation for:				
Buildings	1,525,244	91,958	-	1,617,202
Improvements other than buildings	31,147	-	-	31,147
Equipment and vehicles	5,803,240	409,145	(16,485)	6,195,900
Infrastructure, road network	4,576,488	645,080	-	5,221,568
Total accumulated depreciation	<u>11,936,119</u>	<u>1,146,183</u>	<u>(16,485)</u>	<u>13,065,817</u>
Total capital assets being depreciated, net	<u>16,158,285</u>	<u>187,121</u>	<u>-</u>	<u>16,345,406</u>
Governmental activities capital assets, net	<u>\$ 18,266,813</u>	<u>1,421,499</u>	<u>(1,089,105)</u>	<u>18,599,207</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 89,712
Physical health and social services	9,348
County environment and education	25,291
Roads and transportation	970,101
Administration	<u>51,731</u>
Total depreciation expense - governmental activities	<u>\$ 1,146,183</u>

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2017 is as follows:

Fund	Description	Amount
General	Services	\$ 5,795
Special Revenue:		
Rural Services	Services	6,240
Secondary Roads	Services	7,501
Total for governmental funds		<u>\$ 19,536</u>
Agency:		
County Offices	Collections	\$ 23,426
Agricultural Extension Education		353,638
Central Iowa Community Services		15,682,392
County Assessor		390,056
Schools		13,095,915
Community Colleges		519,360
Corporations		5,386,676
Townships		319,834
County Hospital		2,000,270
Special Assessments		133,251
Auto License and Use Tax		641,806
Other		319,475
Total for agency funds		<u>\$ 38,866,099</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	General Obligation Bonds	General Obligation Refunding Notes	Compen- sated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year	\$ 840,000	810,000	661,120	2,107,951	563,200	4,982,271
Increases	-	-	470,661	798,210	83,800	1,352,671
Decreases	840,000	-	409,148	-	2,600	1,251,748
Balance end of year	\$ -	810,000	722,633	2,906,161	644,400	5,083,194
Due within one year	\$ -	75,000	363,968	-	-	438,968

General Obligation Notes Payable

A summary of the County's June 30, 2017 general obligation bonded indebtedness is as follows:

Year Ending June 30,	General Obligation Refunding Notes		
	Issued June 22, 2016		
	Interest Rates	Principal	Interest
2018	1.00%	\$ 75,000	13,460
2019	1.00	75,000	12,710
2020	1.20	75,000	11,960
2021	1.20	80,000	11,060
2022	2.00	80,000	10,100
2023-2028	2.00	425,000	25,900
Total		<u>\$ 810,000</u>	<u>85,190</u>

General Obligation Refunding Capital Loan Notes

On June 22, 2016, the County issued \$810,000 of general obligation local option sales and service tax refunding capital loan notes for the crossover advance refunding of \$775,000 of general obligation local sales and service tax bonds dated August 25, 2010. The \$775,000 of bonds were called on June 1, 2017.

(8) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff's, deputy's and protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll, for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.63% of covered payroll, for a total rate of 19.26%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2017 were \$410,902.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the County reported a liability of \$2,906,161 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the County's proportion was 0.046179%, which was an increase of 0.003512% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of \$391,417. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,016	64,793
Changes of assumptions	41,458	9,483
Net difference between projected and actual earnings on IPERS' investments	577,224	-
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	4,576	52,810
County contributions subsequent to the measurement date	410,902	-
Total	<u>\$ 1,058,176</u>	<u>127,086</u>

\$410,902 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2018	\$ 34,555
2019	34,555
2020	285,953
2021	168,235
2022	<u>(3,110)</u>
Total	<u>\$ 520,188</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	\$ 5,307,631	2,906,161	881,038

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2017.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 88 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 103,000
Interest on net OPEB obligation	14,100
Adjustment to annual required contribution	<u>(33,300)</u>
Annual OPEB cost	83,800
Contributions made	<u>(2,600)</u>
Increase in net OPEB obligation	81,200
Net OPEB obligation beginning of year	<u>563,200</u>
Net OPEB obligation end of year	<u>\$ 644,400</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2017.

For the year ended June 30, 2017, the County contributed \$2,600 to the medical plan. Plan members eligible for benefits contributed none of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 82,300	4.7%	\$ 483,100
2016	83,300	3.8	563,200
2017	83,800	3.1	644,400

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was \$675,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$675,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,497,000 and the ratio of the UAAL to covered payroll was 15.0%. As of June 30, 2017, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2015 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table 2000, applied on a gender-specific basis. Modest employee turnover and retirement rates were assumed for active employees.

Projected claim costs of the medical plan are \$841 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limits. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$35,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2017 was \$1,846,148.

Amounts payable from the Employee Group Health Fund at June 30, 2017 total \$160,454, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$303,036 at June 30, 2017 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 175,000
Incurred claims (including claims incurred but not reported at June 30, 2017)	1,631,364
Payments on claims during the fiscal year	<u>(1,645,910)</u>
Unpaid claims end of year	<u>\$ 160,454</u>

(12) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2017 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Winterset	Urban renewal and economic development projects	\$ 53,155

(13) County Financial Information Included in the Central Iowa Community Services Mental Health Region

Central Iowa Community Services, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Boone County, Franklin County, Hamilton County, Hardin County, Jasper County, Marshall County, Poweshiek County, Story County, Warren County and Madison County. The financial activity of the County's Special Revenue, Mental Health Fund is included in the Central Iowa Community Services Mental Health Region for the year ended June 30, 2017, as follows:

Revenues:		
Property and other county tax		\$ 334,107
Intergovernmental:		
State tax credits	\$ 23,517	
MH-DD reimbursement from other governments	40,000	
Other	142	63,659
Total revenues		<u>397,766</u>
Expenditures:		
Services to persons with:		
Mental illness		16,564
General administration:		
Direct administration	6,000	
Distribution to regional fiscal agent	353,406	359,406
Total expenditures		<u>375,970</u>
Excess of revenues over expenditures		21,796
Fund balance beginning of year		<u>97,825</u>
Fund balance end of year		<u>\$ 119,621</u>

(14) New Accounting Pronouncement

The County adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about the tax abatements of other entities which impact the County.

(15) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the County's other postemployment benefits.

Required Supplementary Information

Madison County

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2017

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 6,585,208	-	6,585,208
Interest and penalty on property tax	48,889	-	48,889
Intergovernmental	5,477,865	-	5,477,865
Licenses and permits	86,489	-	86,489
Charges for service	1,130,816	-	1,130,816
Use of money and property	131,127	8,837	122,290
Miscellaneous	123,655	7,521	116,134
Total receipts	13,584,049	16,358	13,567,691
Disbursements:			
Public safety and legal services	2,948,276	-	2,948,276
Physical health and social services	714,808	-	714,808
Mental health	376,339	-	376,339
County environment and education	799,549	6,663	792,886
Roads and transportation	5,794,230	-	5,794,230
Governmental services to residents	552,889	-	552,889
Administration	1,030,804	-	1,030,804
Debt service	114,665	-	114,665
Capital projects	1,015,015	-	1,015,015
Total disbursements	13,346,575	6,663	13,339,912
Excess of receipts over disbursements	237,474	9,695	227,779
Other financing sources, net	3,580	-	3,580
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	241,054	9,695	231,359
Balance beginning of year	4,537,316	109,242	4,428,074
Balance end of year	\$ 4,778,370	118,937	4,659,433

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
6,398,735	6,490,414	94,794
67,255	67,255	(18,366)
5,307,435	5,404,453	73,412
52,493	52,493	33,996
1,002,575	1,002,575	128,241
83,521	83,521	38,769
51,523	51,523	64,611
12,963,537	13,152,234	415,457
3,024,291	3,114,261	165,985
887,408	895,929	181,121
382,916	382,916	6,577
840,836	840,836	47,950
5,389,143	6,071,143	276,913
570,399	570,399	17,510
1,059,596	1,115,436	84,632
92,315	114,665	-
1,334,997	1,284,997	269,982
13,581,901	14,390,582	1,050,670
(618,364)	(1,238,348)	1,466,127
5,000	5,000	(1,420)
(613,364)	(1,233,348)	1,464,707
3,420,162	3,420,162	1,007,912
2,806,798	2,186,814	2,472,619

Madison County

Madison County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2017

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 13,584,049	(209,722)	13,374,327
Expenditures	13,346,575	(186,227)	13,160,348
Net	237,474	(23,495)	213,979
Other financing sources, net	3,580	(776,325)	(772,745)
Beginning fund balances	4,537,316	1,429,385	5,966,701
Ending fund balances	\$ 4,778,370	629,565	5,407,935

See accompanying independent auditor's report.

Madison County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2017

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component unit, Internal Service Funds and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$808,681. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2017, disbursements did not exceed the amounts budgeted.

Madison County

Schedule of the County's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Three Years*
(In Thousands)

Required Supplementary Information

	2017	2016	2015
County's proportion of the net pension liability	0.046179%	0.042667%	0.039541%
County's proportionate share of the net pension liability	\$ 2,906	2,108	1,568
County's covered-employee payroll	\$ 4,285	4,129	4,034
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	67.82%	51.05%	38.87%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

Madison County

Schedule of County Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Required Supplementary Information

	2017	2016	2015	2014
Statutorily required contribution	\$ 411	394	384	373
Contributions in relation to the statutorily required contribution	(411)	(394)	(384)	(373)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered-employee payroll	\$ 4,485	4,285	4,129	4,034
Contributions as a percentage of covered-employee payroll	9.16%	9.19%	9.30%	9.25%
See accompanying independent auditor's report.				

Madison County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2017

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

Madison County

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 667	667	0.0%	\$ 3,174	21.0%
2011	Jul 1, 2009	-	616	616	0.0	3,698	17.0
2012	Jul 1, 2009	-	616	616	0.0	3,978	16.0
2013	Jul 1, 2012	-	642	642	0.0	4,039	16.0
2014	Jul 1, 2012	-	642	642	0.0	4,020	16.0
2015	Jul 1, 2012	-	608	608	0.0	4,156	14.6
2016	Jul 1, 2015	-	692	692	0.0	4,304	16.1
2017	Jul 1, 2015	-	675	675	0.0	4,497	15.0

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Madison County

Supplementary Information

Madison County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2017

			Special
	County Recorder's Records Management	Resource Enhancement and Protection	Covered Bridge
Assets			
Cash and pooled investments	\$ 31,257	80,942	1
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	316	-	-
Accrued interest	16	40	-
Due from other governments	-	-	-
Total assets	\$ 31,589	80,982	1
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	137	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	-	-
Other	-	-	-
Total deferred inflows of resources	-	-	-
Restricted for:			
Debt service	-	-	-
Other purposes	31,589	80,845	1
Committed	-	-	-
Total fund balances	31,589	80,845	1
Total liabilities and fund balances	\$ 31,589	80,982	1

See accompanying independent auditor's report.

Revenue							
Local Option Sales Tax	Sheriff McDee	County Attorney Forfeiture	Covered Bridge Preservation Association	Debt Service	Capital Projects		Total
73,215	9,728	1,204	118,937	15,077	30,000		360,361
-	-	-	-	60	-		60
-	-	-	-	32,000	-		32,000
-	-	-	-	-	-		316
-	-	-	-	-	-		56
14,075	-	-	-	-	-		14,075
87,290	9,728	1,204	118,937	47,137	30,000		406,868
465	-	-	-	-	-		602
-	-	-	-	32,000	-		32,000
-	-	-	-	55	-		55
-	-	-	-	32,055	-		32,055
-	-	-	-	15,082	-		15,082
86,825	9,728	1,204	118,937	-	-		329,129
-	-	-	-	-	30,000		30,000
86,825	9,728	1,204	118,937	15,082	30,000		374,211
87,290	9,728	1,204	118,937	47,137	30,000		406,868

Madison County

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2017

	County Recorder's Records Management	Resource Enhancement and Protection	Special Covered Bridge
Revenues:			
Property and other county tax	\$ -	-	-
Local option sales tax	-	-	-
Intergovernmental	-	19,756	-
Charges for service	4,095	-	-
Use of money and property	83	208	-
Miscellaneous	-	-	-
Total revenues	4,178	19,964	-
Expenditures:			
Operating:			
County environment and education	-	2,245	-
Administration	2,052	-	-
Debt service	-	-	-
Total expenditures	2,052	2,245	-
Excess (deficiency) of revenues over (under) expenditures	2,126	17,719	-
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Payment of refunding bonds	-	-	-
Total other financing sources (uses)	-	-	-
Change in fund balances	2,126	17,719	-
Fund balances beginning of year	29,463	63,126	1
Fund balances end of year	\$ 31,589	80,845	1

See accompanying independent auditor's report.

Revenue							
Local Option Sales Tax	Sheriff McDee	County Attorney Forfeiture	Covered Bridge Preservation Association	Debt Service	Capital Projects		Total
-	-	-	-	5	-		5
170,767	-	-	-	-	-		170,767
-	-	-	-	-	-		19,756
-	-	-	-	-	-		4,095
-	-	-	8,837	-	-		9,128
-	-	-	7,521	-	-		7,521
170,767	-	-	16,358	5	-		211,272
-	-	-	6,663	-	-		8,908
70,829	-	-	-	-	-		72,881
109,080	-	-	-	-	-		109,080
179,909	-	-	6,663	-	-		190,869
(9,142)	-	-	9,695	5	-		20,403
-	-	-	-	-	30,000		30,000
(30,000)	-	-	-	-	-		(30,000)
(775,000)	-	-	-	-	-		(775,000)
(805,000)	-	-	-	-	30,000		(775,000)
(814,142)	-	-	9,695	5	30,000		(754,597)
900,967	9,728	1,204	109,242	15,077	-		1,128,808
86,825	9,728	1,204	118,937	15,082	30,000		374,211

Schedule 3

Madison County

Combining Schedule of Net Position
Internal Service Funds

June 30, 2017

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Assets					
Cash and cash equivalents	\$ 85,891	432	463,266	15,727	565,316
Accounts receivable	24,764	1,168	224	-	26,156
Inventories	27,856	-	-	-	27,856
Total assets	138,511	1,600	463,490	15,727	619,328
Liabilities					
Accounts payable	21,299	-	160,454	-	181,753
Advance from General Fund	60,000	-	-	-	60,000
Total liabilities	81,299	-	160,454	-	241,753
Net Position					
Unrestricted	\$ 57,212	1,600	303,036	15,727	377,575

See accompanying independent auditor's report.

Madison County

Combining Schedule of Revenues, Expenses and
Changes in Fund Net Position
Internal Service Funds

Year ended June 30, 2017

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Operating revenues:					
Reimbursements from operating funds and employees	\$ 279,261	21,161	1,846,148	-	2,146,570
Reimbursements from others	12,456	-	-	-	12,456
Total operating revenues	291,717	21,161	1,846,148	-	2,159,026
Operating expenses:					
Medical claims	-	-	1,631,364	-	1,631,364
Materials and supplies	261,154	19,224	-	-	280,378
Unemployment claims	-	-	-	221	221
Total operating expenses	261,154	19,224	1,631,364	221	1,911,963
Operating income (loss)	30,563	1,937	214,784	(221)	247,063
Non-operating revenues:					
Interest income	-	-	1,075	-	1,075
Net income (loss)	30,563	1,937	215,859	(221)	248,138
Net position (deficit) beginning of year	26,649	(337)	87,177	15,948	129,437
Net position end of year	\$ 57,212	1,600	303,036	15,727	377,575

See accompanying independent auditor's report.

Madison County

Madison County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2017

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Cash flows from operating activities:					
Cash received from operating fund reimbursements	\$ 257,936	18,885	1,805,540	-	2,082,361
Cash received from others	12,456	1,108	40,393	-	53,957
Cash paid to suppliers for goods and services	(265,674)	(19,654)	(1,645,910)	(221)	(1,931,459)
Net cash provided (used) by operating activities	4,718	339	200,023	(221)	204,859
Cash flows from investing activities:					
Interest on investments	-	-	1,075	-	1,075
Net increase (decrease) in cash and cash equivalents	4,718	339	201,098	(221)	205,934
Cash and cash equivalents beginning of year	81,173	93	262,168	15,948	359,382
Cash and cash equivalents end of year	\$ 85,891	432	463,266	15,727	565,316
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 30,563	1,937	214,784	(221)	247,063
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Increase in accounts receivable	(21,325)	(1,168)	(215)	-	(22,708)
Increase in inventories	(10,748)	-	-	-	(10,748)
Increase (Decrease) in accounts payable	6,228	(430)	(14,546)	-	(8,748)
Net cash provided (used) by operating activities	\$ 4,718	339	200,023	(221)	204,859

See accompanying independent auditor's report.

Madison County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2017

	County Offices	Agricultural Extension Education	Central Iowa Community Services	County Assessor	Schools
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	2,195	16,256,547	84,152	126,461
Other county officials	34,338	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	443	-	643	25,454
Succeeding year	-	351,000	-	322,000	12,944,000
Accounts	133	-	-	-	-
Accrued interest	-	-	6,426	-	-
Special assessments	-	-	-	-	-
Total assets	\$ 34,471	353,638	16,262,973	406,795	13,095,915
Liabilities					
Accounts payable	\$ -	-	580,581	12,083	-
Salaries and benefits payable	-	-	-	4,656	-
Due to other governments	23,426	353,638	15,682,392	390,056	13,095,915
Trusts payable	11,045	-	-	-	-
Total liabilities	\$ 34,471	353,638	16,262,973	406,795	13,095,915

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Special Assess- ments	Auto License and Use Tax	Other	Total
5,349	27,332	3,284	19,318	9,993	641,806	260,733	17,437,170
-	-	-	-	-	-	-	34,338
1,011	7,344	550	3,952	-	-	8	39,405
513,000	5,352,000	316,000	1,977,000	-	-	74,000	21,849,000
-	-	-	-	-	-	-	133
-	-	-	-	-	-	-	6,426
-	-	-	-	123,258	-	-	123,258
519,360	5,386,676	319,834	2,000,270	133,251	641,806	334,741	39,489,730
-	-	-	-	-	-	15,266	607,930
-	-	-	-	-	-	-	4,656
519,360	5,386,676	319,834	2,000,270	133,251	641,806	319,475	38,866,099
-	-	-	-	-	-	-	11,045
519,360	5,386,676	319,834	2,000,270	133,251	641,806	334,741	39,489,730

Madison County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2017

	County Offices	Agricultural Extension Education	Central Iowa Community Services	County Assessor	Schools
Assets and Liabilities					
Balances beginning of year	\$ 17,357	228,868	17,984,610	375,403	12,517,506
Additions:					
Property and other county tax	-	341,236	-	327,828	13,125,397
State tax credits	-	15,303	-	20,526	912,822
Office fees and collections	817,127	-	-	2,378	-
Electronic transaction fees	-	-	-	-	-
Intergovernmental	-	-	5,005,465	-	-
Use of money and property	-	-	32,960	-	-
Drivers license fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	24,675	-	-	-	-
Miscellaneous	-	-	6,250	-	-
Total additions	841,802	356,539	5,044,675	350,732	14,038,219
Deductions:					
Agency remittances:					
To other funds	589,410	-	-	-	-
To other governments	221,217	231,769	6,766,312	319,340	13,459,810
Trusts paid out	14,061	-	-	-	-
Total deductions	824,688	231,769	6,766,312	319,340	13,459,810
Balances end of year	\$ 34,471	353,638	16,262,973	406,795	13,095,915

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Special Assess- ments	Auto License and Use Tax	Other	Total
522,420	4,410,733	301,007	1,891,595	118,457	562,698	349,427	39,280,081
523,605	5,056,725	327,604	2,013,344	-	-	105,247	21,820,986
37,180	537,695	16,213	134,983	-	-	2,080	1,676,802
-	-	-	-	-	-	-	819,505
-	-	-	-	-	-	3,780	3,780
-	-	-	-	-	-	-	5,005,465
-	-	-	-	-	-	-	32,960
-	-	-	-	-	24,290	-	24,290
-	-	-	-	-	6,091,183	-	6,091,183
-	-	-	-	111,521	-	-	111,521
-	-	-	-	-	-	-	24,675
-	835	-	-	-	-	389,596	396,681
560,785	5,595,255	343,817	2,148,327	111,521	6,115,473	500,703	36,007,848
-	-	-	-	-	196,891	-	786,301
563,845	4,619,312	324,990	2,039,652	96,727	5,839,474	515,389	34,997,837
-	-	-	-	-	-	-	14,061
563,845	4,619,312	324,990	2,039,652	96,727	6,036,365	515,389	35,798,199
519,360	5,386,676	319,834	2,000,270	133,251	641,806	334,741	39,489,730

Madison County

Schedule of Revenues By Source and Expenditures By Function –
All Governmental Funds

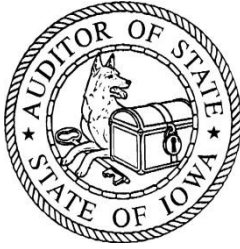
For the Last Ten Years

				Modified
	2017	2016	2015	2014
Revenues:				
Property and other county tax	\$ 5,645,590	5,245,036	5,102,423	5,103,832
Local option sales tax	853,834	828,022	782,964	616,372
Interest and penalty on property tax	49,664	50,976	68,799	62,203
Intergovernmental	5,391,755	5,763,728	4,303,079	3,810,503
Licenses and permits	85,924	82,113	77,368	74,010
Charges for service	1,121,149	1,011,350	999,314	1,097,147
Use of money and property	130,423	89,402	80,382	82,091
Miscellaneous	95,988	422,754	84,568	185,974
Total	<u>\$ 13,374,327</u>	<u>13,493,381</u>	<u>11,498,897</u>	<u>11,032,132</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,987,974	2,676,285	2,621,374	2,584,643
Physical health and social services	702,013	813,304	787,797	656,646
Mental health	375,970	462,688	1,093,759	158,846
County environment and education	803,659	801,043	776,979	708,773
Roads and transportation	5,597,445	5,269,385	4,961,120	4,482,822
Governmental services to residents	532,604	545,440	440,382	462,328
Administration	1,036,588	960,458	1,037,060	1,159,194
Debt service	109,080	108,730	95,365	96,850
Capital projects	1,015,015	586,530	330,927	93,750
Total	<u>\$ 13,160,348</u>	<u>12,223,863</u>	<u>12,144,763</u>	<u>10,403,852</u>

See accompanying independent auditor's report.

Accrual Basis					
2013	2012	2011	2010	2009	2008
4,950,192	4,889,033	4,686,472	4,577,982	4,188,008	3,922,927
638,033	657,207	602,982	520,628	550,144	590,756
54,362	73,249	67,508	69,986	67,857	56,820
4,268,480	4,507,478	4,588,148	4,564,032	5,039,690	4,843,465
51,876	47,457	50,271	43,816	53,116	60,676
1,049,418	964,730	997,725	853,295	843,810	827,092
87,971	85,308	92,295	116,991	148,741	260,310
132,709	219,062	94,568	149,770	95,833	90,103
11,233,041	11,443,524	11,179,969	10,896,500	10,987,199	10,652,149
2,576,984	2,662,269	2,414,981	2,407,600	2,253,877	2,135,309
646,271	676,795	638,138	730,227	667,658	696,699
538,171	2,096,367	1,162,155	1,218,829	1,138,136	1,289,301
431,731	226,955	622,784	613,421	662,155	674,718
4,623,156	4,864,203	4,324,970	3,875,440	4,088,516	4,333,549
710,190	458,115	436,243	427,940	415,448	398,227
858,981	811,147	962,660	838,801	1,250,962	863,733
97,615	93,460	113,432	80,362	81,278	180,158
839	1,053,555	603,619	832,758	152,549	673,579
10,483,938	12,942,866	11,278,982	11,025,378	10,710,579	11,245,273

Madison County



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Officials of Madison County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Madison County, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 22, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Madison County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Madison County's internal control. Accordingly, we do not express an opinion on the effectiveness of Madison County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control, described in the accompanying Schedule of Findings as item A, we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Madison County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


Madison County's Responses to the Findings

Madison County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Madison County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Madison County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State

March 22, 2018

Madison County
Schedule of Findings
Year ended June 30, 2017

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County's financial statements.

Condition – Generally, one or two individuals in the offices identified have control over the following areas for which no compensating controls exist:

	Applicable Offices
(1) One individual has control over opening and listing mail receipts, collecting, depositing, posting and daily reconciling of receipts.	Ambulance, Conservation Board, Public Health Nurse, County Extension Office and Madison County Covered Bridge Preservation Association
(2) Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety.	Madison County Covered Bridge Preservation Association and Sheriff
(3) The person who signs checks was not independent of the person preparing checks, approving disbursements and recording cash disbursements.	Sheriff

Cause – The County offices noted above have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the County's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Madison County

Schedule of Findings

Year ended June 30, 2017

Recommendation – Each official should review the control activities of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

Responses –

Sheriff – The Senior Deputy will be responsible for the bank reconciliation duties effective immediately. This will allow the Chief Deputy to continue recording and documenting all monies coming in the Sheriff's office and it will segregate the duties for recording and reconciling.

At this time, we do not have the personnel to allow one person to prepare a check and another to sign the check. However as the Sheriff's Office expands and more people are hired, the practice will be implemented.

Ambulance – Our Staff will do the best to segregate the duties with the limited amount of staff in the ambulance department.

County Extension Office – In an effort to segregate duties, a separate staff person will open daily mail and record any receipts that may be received. We will also be using an external accounting service starting in December 2017.

Conservation Board – The Madison County Conservation Board attempts to segregate the responsibility of collections in the most feasible manner possible given the size of our staff.

Non-Reservation Camping Fee Collections (paid on-site): The 4 person full-time staff currently rotates 3 employees (Jim Liechty, Steve Pearson, and Terry McNamara) for weekend camping responsibilities on a weekly schedule. The Conservation Board established a Camp Ground Host Program in 2011. Two sets of camp hosts (scheduled on a monthly basis) are responsible for collecting fees and registration envelopes. The campground host collects the camping fees and registration envelopes on a daily basis and the County Conservation Board staff-person "on-duty" for each respective weekend, collects the camping receipt envelopes and fees from the host on Saturday and Sunday mornings. A second staff person re-counts all weekend camping revenue on Monday mornings and we provide two sets of initialing on camping receipts deposited with the Madison County Treasurer.

Advanced Reservation Camping Fee Collections (paid in advance): *All advanced camping reservation fees are transacted by credit card only.* All four full-time staff (Jim Liechty, Steve Pearson, Molly Hanson and Terry McNamara) are responsible for taking reservations and operating the "phone-in" credit card transactions. These same staff members are also responsible for filling out corresponding registration envelopes.

Madison County

Schedule of Findings

Year ended June 30, 2017

Shelter, Cabins and Equipment Rental Fees: Almost 100% of these transactions are conducted by phone utilizing credit card payments (*we require credit card transactions for all phone-in reservations*). All staff personnel participate in taking such reservations and conducting the credit card transactions (depending on who is in the office or which staff person takes the phone call). Utilizing credit card transactions as the primary payment method (we discourage cash or checks for such rentals) provides an additional paper trail from our credit card provider and associated local bank depository. A second staff person re-counts weekly revenue from these sources on Monday mornings and we provide two sets of initialing on receipts deposited with the Madison County Treasurer.

Environmental Education Program Fees: For most environmental education programs which require a fee, registrants usually mail their registration form and fee to our PO Box. These registrations and fees are usually addressed in a manner which identify them to be directed to the Naturalist, who in turn is responsible to document and deposit the fees utilizing the same duplication of initialing as mentioned above for other types of fee collections.

Mail Collection: Normally the Director, Jim Liechty, picks up mail from the post office box. Mail is then distributed to appropriate staff. When Mr. Liechty is vacation, Ms. Holley normally handles all mail pickups. Since most facility reservation revenue is handled by credit card transaction, very little mail contains user fees, with the exception being Environmental Education programming fees (see above).

The only time we would depart from these procedures is if there is a staffing shortage in which only one staff person is present in the office for an extended period of time due to vacations, sickness or other causes requiring the absence of other staff personnel to provide duplicate initialing of deposits.

Public Health Nurse – Due to lack of staff members in office, the recommendation will be difficult to implement. However, best efforts will be conducted to utilize additional persons with segregation of financial receipts duties.

Madison County Covered Bridge Preservation Association – The Madison County Bridge Preservation Association has a limited number of active members but we will continue to work toward a method of reconciling receipts that will include more members and find an independent person to do bank reconciliation.

Conclusion – Responses accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Madison County
Schedule of Findings
Year ended June 30, 2017

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2017 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – No business transactions between the County and County officials or employees were noted during the year ended June 30, 2017.
- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2017 for the County Extension Office did not exceed the amount budgeted.
- (10) Gun Safety Account – The County Sheriff maintains a bank account for the gun safety account. The financial activity of this account is not reflected in the County's financial statements and has not been included in the County's annual budget.

Recommendation – Gun safety class receipts should be remitted to the County Treasurer and credited to a Special Revenue Fund in order to reflect this activity in the County's annual budget and financial statements.

Response – Once the current balance on hand is diminished, it is the Sheriff's plan to close this account. In the event of future classes and revenue, that money will be turned into the Madison County Treasurer and added to the General Fund.


Conclusion – Response acknowledged. However, all gun safety class receipts should be remitted to the County Treasurer.

Madison County

Staff

This audit was performed by:

Jennifer L. Wall, CPA, Manager
Ryan T. Jelsma, Senior Auditor II
Erin J. Sietstra, Senior Auditor
Taylor I. Cook, Staff Auditor
Mallory A. Sims, Staff Auditor
Darrin D. Dafney, Jr., Assistant Auditor
Taylor N. Kivell, Assistant Auditor

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is fluid and cursive, with the first name "Andrew" and last name "Nielsen" clearly legible.

Andrew E. Nielsen, CPA
Deputy Auditor of State